

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1472 - HB 1514

February 17, 2014

SUMMARY OF BILL: Requires local education agencies (LEAs) to receive at least a 65 percent state share from the Basic Education Program (BEP) funding formula for instructional components beginning in FY14-15.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$83,550,000/FY14-15

Exceeds \$83,550,000/FY15-16 and Subsequent Years

Other Fiscal Impact – No decrease in local funding in FY14-15. In FY14-15 and subsequent fiscal years, LEAs that receive an increase in state BEP funding may elect to shift local funding away from the BEP instructional components to other operational expenditures. Any such permissive shift of local BEP funding cannot be reasonably quantified. Any permissive change in local appropriations from the local funding body to the affected LEAs in FY15-16 and subsequent years cannot be reasonably quantified.

Assumptions:

- Currently, the prescribed state-to-local government funding ratio for the BEP instructional components is 70 percent state and 30 percent local. However, the actual funding ratio between state and local governments varies widely dependent upon multiple factors.
- According to the Department of Education (DOE), the state share from the BEP funding formula for instructional components will increase for 13 LEAs as a result of this bill.
- According to DOE, and based on calculations from the BEP funding formula, the increase in state expenditures is estimated to be \$83,550,000 in FY14-15.
- Due to the BEP's natural growth, the recurring increase in state expenditures is estimated to exceed \$83,550,000 in FY15-16 and subsequent fiscal years.
- The state will continue to fund the BEP instructional components for the other LEAs at the same level funded in the absence of this bill.
- The required BEP local match requirement will decrease; however, in FY14-15, the 13 LEAs that receive an increase in their BEP funding will not be able to decrease expenditures because of statutory maintenance of effort (MOE) requirements. In FY14-15 and subsequent fiscal years, such LEAs may elect to shift some funding from the instructional components to other funding priorities.

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- Since a majority of local legislative bodies are funding their LEAs above and beyond the amounts required by the BEP, in FY15-16 and subsequent fiscal years, the local funding body may elect to appropriate less funding as a result of receiving more state BEP funding. MOE requirements for FY14-15 will still be required. However, any such change beyond FY14-15 will be permissive and cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

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